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Appraisal and Review of the Impact of the Lagos Plan of Action on the Development and Expansion of Intra-African Trade

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I. INTRODUCTION

1. The Lagos Plan of Action (LPA) together with the Final Act of Lagos (FAL) were borne out of an overwhelming necessity to establish an African social and economic order primarily based on utilizing to the full the region's resources in building a self-reliant economy. The other parallel objective was the establishing of an African Economic Community by the beginning of the twenty first century.

2. In adopting the LPA and the FAL it was recognised that national governments were to be responsible for implementing these strategies in their respective development plans. However, regional bodies like the Economic Commission for Africa (ECA) the Organization of African Unity (OAU) and others would have this task of giving technical assistance to member States. From information research in writing this brief paper it is safer to state that very few governments have striven to incorporate in their development planning exercise, the objectives enunciated in the Lagos Plan of Action. Perhaps it is worth recalling that the Lagos Plan of Action had failed to provide for an effective monitoring and follow-up mechanism for its implementation and this may explain why governments did not feel obliged to do so.

3. The analysis of intra-African trade in the context of the LPA is rather limited in its coverage since only

a small number of African countries were able to provide data and statistical information on some of the elements of the LPA.

4. Africa's economic and trade performance in the 1980s is predicated on many factors. Factors that combined to cause Africa's poor economic performance. Principal among which included drought that hit 34 African countries in the early and mid 1980s; the collapse in export commodity prices coupled with the adverse effects of fluctuating exchange rates of major currencies and the debt-service burden. These adverse developments contributed enormously to dampening the growth potential of intra-African trade. This was in marked contrast to the observed substantial world economic growth. Over and above Africa lagged behind all other regions. World trade increased by 14 per cent in 1990 while AFrica's trade increased by only 2.6 per cent. Thus a decade after the adoption of the Lagos Plan of Action, Africa's economic position presented a gloomy pictureas the region approached the beginning of another decade. Fortuitously and in recognition of this, the Special Session of the Conference of African Ministers of Trade in December 1990, adopted document E/ECA/TRADE/89/25/Rev.5 entitled "Strategies for Revitalization, Recovery and Growth of Africa's Trade in the 1990s and Beyond."

II. DEVELOPMENT OF DOMESTIC TRADE

5. No meaningful analysis of intra-African trade and the implementation of the LPA can be made without an assessment of LPA's impact on the domestic trade sector. Emphasis by the LPA placed on increasing production of

export crops and the improvement of conditions for domestic trade expansion are not inseparable. However, neglect of production of food and consumer goods for domestic consumption in preference for export crops in order to earn foreign exchange has resulted in lopsided development. The domestic trade sector, failed to expand because of the narrow production base, the neglect of and inadequate storage and distribution facilities at national level and especially in rural sector, and the absence of efficient credit facilities and infrastructure.

6. It is instructive that the report (E/ECA/TRADE/90/10) of a workshop on Promotion of Domestic Trade that the secretariat organized in September 1990, concluded in a similar vein about some of the major obstacles that hamper the development of domestic trade. They relate mainly to the narrowness of the production base, the concentration of industries in the urban areas and inadequate distribution facilities particularly in the rural areas. However, the report acknowledging that some countries have made significant efforts to promote domestic trade by establishing domestic distribution centers. For instance in the case of Ethiopia the Ethiopian Domestic and Distribution Corporation (EDDC) has established manufacturing and distribution centres to cater for the domestic market for most essential commodities. Other countries have constructed cold storerooms in all parts as in the case of Cameroon with a view to ensuring food self-sufficiency. What is difficult to establish is whether these steps were a

direct or indirect result of a desire to implement the LPA?

7. Concern with the need to accord the development of domestic trade needed was again voiced at the tenth meeting of African Ministers of Trade whose report reiterated that in order to promote domestic trade, promulgation of appropriate legislations was essential. The report stressed the need to ensure adequate supply and distribution of goods as a self regulating mechanism of price control and prevention of excessive profit margins. The meeting also called upon African governments to try to influence domestic trade through a system of economic incentives.

8. In the meantime it is to be noted that some African countries have established or strengthened national institutions to this end. For instance ministries or departments for promoting domestic trade have been established but there has not been much progress because legal and institutional provisions adopted were rather inadequate or over restrictive. Centralized pricing policies rather than inducing greater activity have been less successful because of the resulting high prices for consumer goods or low producer prices. Other equally important constraints requiring attention include rehabilitating the structure of domestic trade so that it does not remain confined to production only of commodities produced under subsistence economic conditions. Similarly, the need for the governments to improve the

low level of entrepreneurial skills of most traders engaged in domestic trade that renderes them inefficient and ultimately contributing less through domestic trade to the respective nations' gross domestic product.

III. DEVELOPMENTS IN THE INTRA-AFRICAN TRADE SECTOR

9. The LPA also places emphasis on intra-African trade in its strategy of achieving its objectives. Intra-African trade is viewed to be an important driving force for economic growth and developmnt for Africa on many points. For instance both as a complement to expanding Africa's export and import activities wuth that of non-African countries and an alternative to lessen the impact of loss of external markets in world in the advent of economic blocs is on the rise.

10. An analysis of the performance of intra-African trade during the 1980s is not the same as assessing the impact which the LPA has had on these trends. However, the trend shows that the proportion of exports to and imports from Africa as compared to the rest of the world was about 5.8 per cent and 6.0 per cent respectively in 1989. The Tables 1 and 2 show that trade among African countries as a whole during the period 1983-1989 increased in both volume and value terms recording an annual average rate of growth of 4.8 per cent between 1983 and 1989, despite considerable fluctuations from year to year.

11. It was also characteristic of intra-African trade

that over 50 per cent of the exports between 1983 and 1989 originated from only a few countries. Principally Algeria, Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Kenya, Mali, Nigeria, Senegal, Togo, Tunisia and Uganda. The same was also true regarding import destinees as data in Table 2 clearly indicates.

12. The structure of intra-African commodity for this same period is given in Tables 4 and 5 and did not significantly change throughout the 1980s. However the share of some commodities, particularly manufactured goods rose from 19 per cent in 1980 to 31.5 per cent in 1987. Perhaps this trend could be interpreted to suggest Africa's increased diversification of its industrial base used to supply its own region. The question is to ascertain whether this positive trend was a result of implementing the LPA? In contrast, the share of fuel exports in intra-African trade declined from 41 per cent in 1980 to 29.3 per cent in 1987 implying an increased reliance by Africa for fuel imports from outside the continent.

(a) Analysis of the situation of intra-African trade and its trade potential

At a meeting of the Intergovernmental Group of Experts on Prospects for South-South Trade Promotion in Processed and Semi-processed Products in Addis Ababa, in October 1990, a number of constraints that had hindered the

expansion of intra-African trade, relating both to policy and market failures as well as the absence of pertinent trade information were identified.

14. It is evident that apart from so many constraints that have limited intra-African trade that great potential exists in this area, especially were many of the suggestions made in the LPA to be implemented in line with what was stated in the study by the International Trade Centre (ITC) that was presented to the meeting above. The study indicated that out of an identified 550 products and product groups which the Preferential Trade Area for Eastern and Southern African States (PTA) exported to countries outside the PTA, 475 items "matching products" were also imported into the PTA during the same period. The annual PTA import bill for those products which are also exported by PTA member countries amounted to about US$5 billion or approximately 50 per cent of total annual imports. This illustrative example goes to prove that intra-PTA trade expansion is quite promising. However, this potential can only be exploited to the mutual benefit of the member States provided that other criteria of comparative advantage can be put in place. A similar analysis of the Economic Community of West African States (ECOWAS) showed that over 250 items were available in the subregion. The combined import value amounted to US$ 8 billion or 53 per cent of total annual ECOWAS import trade. The analysis further showed that the same trend as in the Economic Community of Central African States (ECCAS) sub-region exists even though

at a somewhat lesser extent. Thus 33 per cent of total ECCAS import trade was available at the sub-region level. It is this type of evidence that make it difficult to say that the lack of intra-African trade expansion can continue to be blamed on the lack of marketable products. Rather the main root cause would seem to be a lack of transparency and openess and the absence of pertinent trade information for potential trading partners.

15. A recent study by the secretariat of Sudan's trade relations with some of its eight neighbouring states for the period 1978-1987 showed that the Sudan accounted for about 90 per cent of its trade with countries outside Africa, and only 10 per cent with its eight neighbouring African partners. This is an indication of the general trend of trade of most African countries during the 1980s. This revelation is necessary if only to show the extent to which the follow-up mechanisms of the LPA may be taking root. Similarly whether the call by the eighth session of the Conference of African Ministers of Trade in 1985 and also the Special Session of the same ministers in December 1990 for intra-African trade to be increased by a certain percentage can be attained?

(b) Reduction and elimination of trade barriers

16. Attempts have been made by PTA, ECCAS, UDEAC, ECOWAS, to liberalize trade and minimize trade barriers partly in line with the LPA and directives of their legislative authorities. It is therefore hoped that these efforts

will be strengthened. Nevertheless, many African countries continue to face tariff and non-tariff barriers which according to the LPA, should have been removed by 1990. In the meantime several studies have been undertaken with the assistance of the secretariat, in addition to advisory missions, seminars and workshop for economic operators in trade liberalization with a view to expanding intra-African trade. But as the data indicates, the level of this particular form of trade continues to be relatively low.

17. One area where there has been some progress in implementing the LPA is in institution-building. The targets proposed in the Plan have not been wholly met due to lack of financial support from member States but quite a lot has been achieved. For instance the PTA established in 1981, seems to be making good progress in the area of promoting intra-African trade with the setting up of a payments and clearing house and by establishing a unit of account (UAPTA) enabling the use of its own travellers cheques to be bought in local currencies. The PTA has also organized a number of trade fairs including a specialised Leather Fair in 1990. On the other hand also, the ECOWAS recently embarked studies intended to set up a common currency. In addition to the already existing West African Clearing House. Countries in the North African sub-region are also in the process of setting up a preferential trade area. Other institutions have also been created to promote intra-African trade. Not least of these is the Federation

of African Chambers of Commerce, although the Host Agreement has not been put into effect since it has yet to be ratified by the host country. Another area of trade promotion was the holding of All Africa Trade Fairs in several countries and the sixth one will be held in Zimbabwe in 1991.

18. With the establishment and strengthening of these sub-regional groupings it can be expected that Africa will have a common market in a not two distant future pursuant to the LPA. The Special Session of the Conference of African Ministers of Trade which adopted the Strategies for the 1990s and Beyond, reiterated that intra-African trade was an indispensable strategy for the 1990s towards the establishment of the African Common Market. It therefore called for efforts to this end to be accelerated as a matter of top priority within the framework of the proposed African Economic Community, especially in view of the fact that the proposed Treaty for the Economic Community has been drawn up by the OAU and will be presented to the OAU Summit in 1991.

19. There are numerous barriers or hinderances to expanding intra-African trade some of which are already cited earlier above. However, Africa's weak domestic trade structure needs repeating because it is responsible in the poor performance of intra-African trade. Unless problems hampering domestic trade are eliminated or greatly minimised, intra-African trade cannot be expected to go much above its current level. Notwithstanding the

above, the main obstacles to intra-African trade as listed in the LPA require appropriate remedial action.

IV. CONCLUSIONS AND RECOMMENDATIONS

20. The world economic situation has changed considerably since the 1980s when the LPA was formulated and adopted. Other events including the recent Gulf crisis and the hike in oil prices, the emergence of many economic blocs, the worsening international economic environment have all added up to reinforce the wisdom of the need not only to review but also to quicken the pace of implementation of many of the valid strategies of the Lagos Plan of Action.

21. The intra-African trade performance will continue to perform poorly in the 1990s partly due to a lack of trained manpower to man sub-regional institutions as is the lack of financial resources to make them operate efficiently. The traditional rigid production structures in domestic trade and existing trade barriers among African countries will also further dampen intra-African trade prospects and must therefore be removed. The proposed "Strategies for Revitalization, Recovery and Growth of Africa's Trade in the 1990s and Beyond" (E/ECA/TRADE.89/25/Rev.5) lays emphasis on attaining levels of sustainable development. The strategies are designed as a new framework to enable countries to resolve intra-African trade problems to include: comprehensive market research and analysis; restructuring domestic

production in agriculture and industry; intra-African trade liberalization of domestically-produced goods; establishment of an African Common market and increasing counter-trade exchanges. Emphasis in the strategies is also put on increasing the share of intra-African trade to between 10 and 15 per cent of Africa's total trade. To this end, governments, international organizations and multilateral and bilateral donors are called upon to give high priority in financing the development and expansion of Africa's trade.

22. This brief review is by no means the only one that has addressed the LPA. Mention must also be made of the "ECA/OAU/ADB High Level Meeting of Experts on Africa's Development in the 1980s: A Decennial Review of the Lagos Plan of Action" that was held in Lagos from 6 to 8 December 1990. After reviewing thoroughly the performance of the LPA in all sectors, that meeting recommended among other things that, "there was need to review the chapter on Trade and Finance in the LPA." 1/ It was therefore timely that the Strategies dealing with these issues have already been adopted and recommended for implementation by the African governments in the 1990s and Beyond. In conclusion therefore, African governments and institutions are urged to show more resolve than hitherto in putting into effect those recommendations.

1/ ECA/OAU/ADB/4/RPT 1990. P. 12 (Unpublished)

TABLE 1 EXPORTS OF AFRICA T

TABLE 1 EXPORTS OF AFRICA TO AND FROM THE COUNTRIES LISTED

(Millions of US Dollars)

	1983	1984	1985	1986	1987	1988	1989	
WORLD TOTAL	63,696	65,511	64,049	56,619	66,084	67,707	76,910	
AFRICA	3,349	3,242	3,286	3,278	3,793	4,070	4,428	Growth Rate 1983-1989
(Growth Rate)		(3.0)	(1.0)	(-0.1)	(8.6)	(7.0)	(8.0)	4.8%
Algeria	87	89	105	144	108	112	124	
Burkina Faso	92	77	92	106	105	131	151	
Cameroon	62	160	174	105	84	88	110	
Cote d'Ivoire	173	235	242	245	280	301	361	
Ghana	133	190	202	144	247	255	308	
Kenya	11	25	15	24	143	107	95	
Mali	107	102	139	124	127	157	180	
Nigeria	115	107	102	98	103	134	160	
Senegal	91	56	100	105	120	140	155	
Togo	131	79	62	90	96	122	139	
Tunisia	38	111	156	64	128	162	185	
Uganda	106	98	87	112	87	97	103	
Sub-total	1,146	1,347	1,476	1,369	1,628	1,806	2,071	
%Total	34.2	41.5	44.9	41.5	42.9	44.4	46.8	(42% average)
All others	2203	1895	1810	1917	2165	2264	2357	

Source: IMF, Direction of Trade Statistics Yearbook 1990 pp. 20.

TABLE 2 IMPORTS OF AFRICA TO AND FROM THE COUNTRIES LISTED

IN MILLIONS OF US DOLLARS

	1983	1984	1985	1986	1987	1988	1989	
DOTS WORLD TOTAL	64,530	60,087	58,594	56,849	61,733	70,785	76,532	Growth Rates 1983-1989
AFRICA (Growth Rate)	3,522	3,449 (-2.0)	3,350 (-2.0)	3,738 (11.0)	3,984 (6.1)	4,442 (11.0)	4,682 (5.0)	4.8 %
Algeria	300	190	153	140	118	142	148	
Botswana	59	42	37	57	73	102	117	
Cameroon	69	47	83	181	190	296	316	
Cote d'Ivoire	309	298	410	454	445	545	640	
Gabon	99	70	101	78	66	69	81	
Kenya	269	263	217	240	218	227	240	
Nigeria	418	587	487	575	677	690	828	
Senegal	105	120	174	132	156	188	218	
Zimbabwe	123	97	107	123	131	152	169	
Sub-Total	1,751	1,704	1,769	1,980	2,074	2,411	2,757	
% of Total	50.0	49.4	52.8	52.96	52.0	54.27	58.88	(52.8% Average)
All others	1771	1745	1581	1750	1910	2031	1925	

Source. IMF, Direction of Trade Statistics Yearbook 1990. PP. 21

TABLE 3 EXPORTS AND IMPORTS OF AFRICA TO AND FROM THE COUNTRIES LISTED

	EXPORT							IMPORT						
	1983	1984	1985	1986	1987	1988	1989	1983	1984	1985	1986	1987	1988	1989
PERCENT DISTRIBUTION														
INDUSTRIAL COUNTRIES	72.1	72.4	71.6	67.6	66.9	66.3	67.6	73.1	73.4	74.4	73.4	72.0	71.4	70.7
DEVELOPING COUNTRIES	13.1	13.4	14.6	15.6	15.1	17.4	17.2	19.1	19.8	19.7	19.6	21.6	22.3	22.9
AFRICA	5.2	5.9	5.1	5.8	5.7	6.0	5.8	5.5	5.7	5.7	6.8	6.3	6.3	6.1
ANNUAL PERCENT CHANGE														
WORLD	-3.1	3.0	-2.3	-11.5	16.7	2.5	13.6	-13.6	-6.3	-2.4	-2.9	8.6	14.7	8.3
INDUSTRIAL COUNTRIES	-1.3	3..	-3.4	-16.5	15.7	1.3	16.0	-12.2	-6.1	-1.1	-4.3	6.6	13.2	7.6
DEVELOPING COUNTRIES	-13.8	5.4	6.5	-5.2	13.1	17.5	12.5	-14.7	-3.3	-2.9	3.4	19.7	18.9	10.2
AFRICA	-2.9	-3.1	1.4	-0.1	15.7	7.3	8.8	-7.5	-2.0	-3.8	11.6	6.6	11.5	5.4

SOURCE: IMF, Direction of Trade Statistics Yearbook 1990 (p. 24)

TABLE 4

EXPORT STRUCTURE BY DESTINATION AND BY MAJOR COMMODITY GROUPS

DEVELOPING AFRICA TO:

COMMODITY GROUPS	YEAR	WORLD	AFRICA
		MILLIONS OF DOLLARS	
ALL PRODUCTS	1970	12021	672
	1980	94942	2970
	1987	51821	3035
		SHARE BY DESTINATION (in per cent)	
ALL PRODUCTS	1970	100.00	5.6
	1980	100.00	3.1
	1987	100.00	5.9
ALL FOOD ITEMS	1970	100.00	6.2
	1980	100.00	7.7
(SITC 0-1-22-4)	1987	100.00	9.2
AGRICULTURAL RAW MATERIALS	1970	100.00	2.5
(SITC 2-22-27-28)	1980	100.00	3.7
	1987	100.00	6.2
ORES AND METALS	1970	100.00	0.9
(SITC 27-28-68)	1980	100.00	3.0
	1987	100.00	4.4
FUELS (SITC3)	1970	100.00	1.9
	1980	100.00	1.7
	1987	100.00	3.0
MANUFACTURED GOODS	1970	100.00	38.4
(SITC 5 to 8 less 68)	1980	100.00	14.8
	1987	100.00	13.9
		SHARE BY MAJOR COMMODITY GROUPS (IN PER CENT)	
ALL FOOD ITEMS	1970	29.1	32.3
(SITC 0 1 22 4	1980	10.6	26.0
	1987	17.2	27.1

TABLE 4 cont'd

COMMODITY GROUPS	YEAR	WORLD	AFRICA
AGRICULTURAL RAW MATEIALS	1970	10.9	4.9
(SITC 2-22-27-28)	1980	3.1	3.7
	1987	5.1	5.4
ORES AND METALS	1970	19.2	3.0
(SITC 2 28 68)	1980	5.9	5.7
	1987	7.2	5.4
FUELS (SITC3)	1970	33.7	11.5
	1980	75.6	41.0
	1987	56.8	29.3
MANUFACTURED GOODS	1970	7.0	48.1
(SITC 5 to 8 less 68)	1980	4.0	19.0
	1987	13.2	31.5
	ANNUAL AVERAGE GROWTH RATES (in per cent)		
ALL PRODUCTS	70-87	9.0	9.3
ALL FOOD ITEMS	70-87	5.6	8.1
AGRICULTUAL RAW MATERIALS	70-87	4.2	9.9
ORES & METALS	70-87	2.9	13.2
FUELS	70-87	12.4	15.5
MANUFACTURED GOODS	70-87	13.1	6.6

SOURCE: UNCTAD, Handbook of International Trade and Development Statistics 1989 (pp. 81)

TABLE 5 IMPORT STRUCTURE BY ORIGIN AND BY MAJOR COMMODITITY GROUP DEVELOPIN AFRICA

COMMODITY GROUPS	YEAR	WORLD	AFRICA	GROWTH RATES 80-87
		MILLIONS OF DOLLARS		
ALL PRODUCTS	1970	11836	672	
	1980	84359	2970	
	1987	63877	3035	7.218
		SHARE BY ORIGIN (IN PER CENT)		
ALL PRODUCTS	1970	100.00	5.7	
	1980	100.00	3.5	
	1987	100.00	4.8	
ALL FOOD ITEMS (SITC 0-2-22-4)	1970	100.00	12.7	
	1980	100.00	5.3	
	1987	100.00	8.0	
AGRICULTURAL RAW MATERIALS	1970	100.00	11.5	
	1980	100.00	6.3	
(SITC 2-22-27-28)	1987	100.00	9.5	
ORES AND METALS (SITC 27-28-68)	1970	100.00	11.0	
	1980	100.00	13.3	
	1987	100.00	15.1	
FUELS (SITC 3)	1970	100.00	13.9	
	1980	100.00	15.6	
	1987	100.00	17.1	
MANUFACTURED GOODS (SITC 5 to 8	1970	100.00	3.6	
Less 68)	1980	100.00	1.0	
	1987	100.00	2.2	

TABLE 5 cont'd

COMMODITY GROUPS	YEAR	WORLD	AFRICA
		SHARE BY MAJOR COMMODITY GROUPS (IN PER CENT)	
ALL FOOD ITEMS (SITC 0 2-22-4	1970	14.4	32.3
	1980	15.8	25.0
	1987	15.1	27.1
AGRICULTURAL RAW MATERIALS (SITC 2-22-27-28)	1970	1.4	4.9
	1980	2.0	3.7
	1987	2.7	5.4
ORES AND METALS (SITC 27 +28+68)	1970	1.5	3.0
	1980	1.5	5.7
	1987	1.7	5.4
FUELS (SITC 3)	1970	4.7	11.5
	1980	9.3	41.0
	1987	8.1	29.3
MANUFACTURED GOODS (SITC 5 to 8 less 68)	1970	75.1	48.1
	1980	69.3	19.0
	1987	67.9	31.5
		ANNUAL AVERAGE GROWTH RATES (IN PER CENT)	
ALL PRODUCTS	70-87	10.4	9.3
ALL FOOD ITEMS	70-87	11.2	8.1
Agricultural raw materials	70-87	11.1	9.9
ORES AND METALS	70-87	11.2	13.2
FUELS	70-87	14.1	15.5
MANUFACTURED GOODS	70-87	9.8	6.6

SOURCE: UNCTAD Handbook of International Trade and Development Statistics 1989 p. 104